Financial Statement

of

GEO. A. HORMEL & COMPANY

AUSTIN, MINN.

for the

Fiscal Year Ended October 31, 1931

Austin, Minnesota
November, 17, 1931.

To the Stockholders of
Geo. A. Hormel & Company:

During this past year your Company has done the largest volume of business in its history. Total sales amounted to 241,494,413 pounds, an increase of 3,386,008 pounds or 1.4 percent over the sales the year before, and an increase of 18,197,839 pounds or 8.1 percent over the average for the previous five years.

During the year the prices of packing house products have gone down approximately one-half. The importance of these drastic declines in the value of commodities is reflected by the fact that in spite of the increased volume of business during the year, the actual dollars of sales, because of constantly falling prices, were nearly 25 percent less, which is a decline of more than $10,000,000.00.

A company engaged in the packing business must at all times have on hand substantial quantities of meat in the process of cure and of distribution. Thus, although business probably finds it more difficult to earn a profit in a period of depression, this difficulty is more pronounced in the packing industry than in one which is, by the nature of its business, required to carry lesser stocks on hand. Your Company, because of the extent to which it is engaged in manufacturing and distributive business, is ordinarily able to make more profit than packers who sell a larger proportion of their product fresh and to carload buyers. However, this same manufacturing and distributive business forces your Company to have proportionately more merchandise on hand. Therefore, even if operations were letter-perfect, which, of course, they never are, it would still be necessary for your Company, in order to take care of its normal business, to have on hand stocks of meat so large that a decline of half their value would amount to more than normal profits.

The manufacturing and distributive volume of your Company is largely Ham and Bacon. Therefore, the stocks of merchandise on which it sustained inventory losses are chiefly these two items. What has happened to these particular commodities during the past year is shown in the following table of Chicago Market prices taken from The National Provisioner Daily Market Report:

COMMODITY	Price Per Cwt. Oct. 25, 1930	Price Per Cwt. Oct. 31, 1931	Decline During the Year
Average of all hogs	$ 9.25	$4.65	$4.60
HAM			
Regular Hams 12/14	16.00	8.25	7.75
Boiling Hams 16/18	16.75	9.50	7.25
BACON			
Green Bellies 10/12	18.25	8.50	9.75
Dry Salt Bellies 18/20	16.00	8.00	8.00

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GEO. A. HORMEL & COMPANY—

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ASSETS

CURRENT:			
Cash on hand, in banks, and in transit		$1,381,547.32	
Customers' accounts, less allowance		1,024,735.12	
Merchandise inventories (Less drafts of $215,936.88 against consignments		2,703,280.20	
Total Current Assets			$ 5,109,562.64
OTHER ASSETS:			
Investment in associated company	$	54,000.00	
Sundry notes, accounts etc. less allowance		116,433.40	
Employees' stock purchase notes less allowance		197,809.48	
Officers' and employees' accounts		11,301.15	
Real estate – other than plant		212,798.42	
Treasury stock – 11,373 shares of common stock and 100 shares Class A-6% preferred – at cost		333,828.50	926,170.95
PERMANENT – *at cost*			
Land	$	101,144.42	
Buildings, machinery and equipment (Less allowance for depreciation of $1,205,297.50)		4,054,105.05	4,155,249.47
PREPAID EXPENSES			105,043.95
			$10,296,027.0

NOTE: Contingent liabilities reported — on drafts discounted $150,287

GEO. A HORMEL & COMPANY:

We have examined the accounts pertaining to the Assets and Liab subsidiaries as of October 31, 1931 and have reviewed the operations for t

WE HEREBY CERTIFY that, in our opinion, subject to the (including the accounts of the Mexican subsidiary without audit, these acco summary of income and surplus show the consolidated financial position of th that date.

Minneapolis, November 16, 1931

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'—[illegible]IN, MINNESOTA, AND SUBSIDIARIES

Octo[illegible], 1931

LIABILITIES

	CURRENT:		
	Accounts Payable	$ 149,704.14	
	Dividends-payable Nov. 16, 1931	275,530.00	
	Accrued Taxes, etc.	159,127.14	
2.64	Total Current Liabilities		$ 584,361.28
	RESERVE:		
	For contingencies		156,851.94
	CAPITAL:		
	Preferred stock – cumulative		
	Authorized 50,000 shares		
).95	Class A-6%, outstanding 14,554 shares	$1,455,400.00	
	Class B-7%, outstanding 961 shares	96,100.00	
	Common Stock – no par value		
	Authorized 500,000 shares		
).47	Outstanding 493,944 shares	6,116,585.81	
;.95	Surplus	1,886,727.98	9,554,813.79
7.0			$10,296,027.01

),287[illegible]laneous approximately $77,500.00.

Liab[illegible] [illegible]O. A. HORMEL & COMPANY, AUSTIN, MINNESOTA, and its domestic for [illegible]hen ended, and

› the [illegible] the inventory quantities established by the management. the above balance sheet acco[illegible]ng principally of net current assets of $58,967 38) and the accompanying › of [illegible]s and the consolidated results from operations for the fifty three weeks ended

(Signed) ERNST & ERNST

Summary of Consolidated Income and Surplus

GEO. A. HORMEL & COMPANY—AUSTIN, MINNESOTA, AND SUBSIDIARIES

Fifty-three Weeks Ended October 31, 1931

Sales (less returns)		$32,466,168.87
Less:		
Freight and express	$1,742,656.29	
Allowances	80,195.99	1,822,852.28
NET SALES		$30,643,316.59
Cost of goods sold, selling and administrative expenses and other deductions, net (excluding depreciation and interest)		30,934,348.45
OPERATING LOSS (excluding depreciation)		$ 291,031.86
Other Charges:		
Depreciation	$280,774.98	
Interest paid	36,972.17	317,747.15
NET LOSS FROM OPERATIONS		$ 608,779.01

CONSOLIDATED SURPLUS

SURPLUS—October 25, 1931		$ 3,557,379.27

CHANGES FOR THE PERIOD

Dividends paid or provided for:			
On Preferred Stock	$ 93,364.28		
On Common Stock	968,508.00	$1,061,872.28	
Net loss from operation		608,779.01	1,670,651.29
SURPLUS—OCTOBER 31, 1931			$ 1,886,727.98

Counting inventory losses during the year, and marking closing inventories down to current prices on the basis of cost or market or replacement whichever is lowest, the operations of your Company for the year show a loss of $608,779.01.

Although such drastic inventory losses are money "out of pocket," consideration of the low levels to which prices have now fallen indicates that further declines in value are not likely to absorb earnings as they did in 1931.

During the past year, the plant has not only been kept in a high state of repair and efficiency, but several new and valuable additions have been built. Wages, salaries, and volume of employment have been maintained. Regular dividends have been paid.

Investments and outside securities have been marked down to current market prices. Every doubtful and slow customer's account has been charged off. $604,000.00, the amount spent for advertising, has all been charged to expense. $280,000.00 has been charged for depreciation of plant and equipment.

In this way, your Company entered its new business year with a balance sheet showing current assets of $5,109,562.64, consisting of customers' accounts from which all doubtful ones had been removed, merchandise ready for sale or in preparation and which had been conservatively priced, and with $1,381,547.32 in cash. Thus, total assets, including plant and equipment and investments, all properly depreciated, amounted to $10,296,027.01.

Against this your Company owes no money to banks, and has no bonds nor other debts except certain current bills not yet due and which at the close of the year amounted to $308,831.28, for supplies and wages and local taxes. After the November dividends were also set up as a current indebtedness, the ratio of quick assets to current liabilities was 8.7 to 1.

JAY C. HORMEL,
President

GEO. A. HORMEL
Chairman of the Board

JOHN G. HORMEL
Secretary

M. F. DUGAN
Treasurer

BEN F. HORMEL
Senior Vice-President
The BEEF Division

H. H. COREY
Vice-President for
The PACKING Division

R. H. DAIGNEAU
Vice-President for
The ABATTOIR Division

E. N. STURMAN
Vice-President for
The FLAVOR-SEALED Division